QR links dealers from POS to manufacturer

(Continued from page 4)
mation Services, an EDI value-added network, said, "Buyers don't have to rely on seat-of-the-pants ordering. You're not taking the merchandiser out of the equation. You're just giving him better information."

Groping towards QR

As a system, QR promises a lot. But the various technologies can be exploited independently as a dealer moves towards implementing QR.

John Lengyel, planning manager for distribution at Oak Brook, Ill.-based Ace Hardware, was at Quick Response '90 exploring "what's out there in concept" for the co-op's 14 DCs.

"POS is not the issue for us at this stage," Lengyel said. "We want to get our service level, the number of turns and efficiencies, streamlined in the DCs."

Ace is looking to do this with various forms of scanning and shipping container marking. Once Ace has these technologies in place and working at its DCs, it will implement a second stage moving those technologies into the retail stores, Lengyel said.

He foresees a pilot program in place in the DCs by the end of 1990 and predicted a link from POS through DC to supplier within three years. Ace is just now installing IBM 8700 computers in each of its DCs, which still must be linked to headquarters and to each other as part of the test.

Scott Carpenter, merchandise acquisition manager at Hechinger, the Landover, Md.-based chain, was at the conference on an "information-gathering mission."

Carpenter estimated Hechinger already has an EDI relationship with 40 or 50 suppliers. But to get into QR, Hechinger needs to implement bar code scanning in its stores. Accordingly, it will start a pilot scanning program in one store this summer and hopes to roll out scanning chainwide by the end of next year.

Hechinger is exploring three separate initiatives: UPC scanning, EDI and automatic replenishment. Carpenter said there is no formal tie between these studies, although they still coordinate and share information.

"We all think [Quick Response] is a good thing to do but we're just now stumbling on ways to do it."

Lowe's, the industry's second largest retailer, is in a similar situation as Hechinger. It pioneered a proprietary EDI system several years ago. It later switched to Ordernet's Eagle system and now has more than 100 suppliers on that and a few remaining on the older net, according to Vaughn Hayes, vp-merchandise administration.

Lowe's will roll out a prototype scanning program at one of its 300 stores this summer and once the bugs are worked out, Hayes plans to move scanning into all stores.

In phases two and three shipping container scanning will be tried on Lowe's loading docks and DCs. ◆

National Lumber files Chapter 11

(Continued from page 1)
stores to consolidate inventory and lower payroll costs before filing Chapter 11 on April 3.

An estimated 167 people lost jobs when the stores closed; 83 were reassigned.

Its bankruptcy filing lists $41,432,000 in assets prior to store closings, $13,326,000 in secured debt and $24,048,000 in "other liabilities," according to National's counsel Robert Greenfield in Los Angeles.

The company also said it could close some of its remaining 15 stores as part of the reorganization, as well as "refocus the company's merchandising strategy."

A part of refocusing may have come on April 2 when National hired Max Robuck as the new general merchandise manager. Robuck, 39, came from HomeClub, where for a year he was a divisional merchandise manager for hardware and paint. Previously he was a senior paint, wallpaper and accessories buyer at Target.

The bankruptcy petition came just eight days after officials of National met with more than 280 vendors and attorneys in Los Angeles to ask for "breathing room to come up with a plan" to pay off vendors, said one credit manager.

According to National president Mel Jaffee, the bankruptcy filing was spurred by its lender, Fidelcor. Jaffee, who declined to talk about the bankruptcy with *NHCN*, told the *Wall Street Journal* "our lender wouldn't give us any more" money.

National has lost money the last four years and Jaffee consistently blamed increased competition from warehouse chains. Its stock price, issued at $10 a share, fell to 35 cents per share the week of the filing. Jaffee owns half the company's stock.

The six closed stores—in Riverside, Moreno Valley, Fullerton, Oceanside, La Mirada and Covina—represented 30 percent of National's 1.01 million square feet of retail space. While many are valuable locations in the market, according to one landlord, "they are not all [desirable] for a home center."

For example, the 58,700-square-foot Fullerton unit opened in 1985 is now adjacent to a Home Depot. One property owner added the lease for the Oceanside store near San Diego, open about 90 days, is for sale for $2 million. ◆

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Loss prevention conference gives coping strategies

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turnover. Members agreed to pool information for a joint training video in the next May meeting. "The procedures are the same so it makes sense to do it together rather than individually," said Piekarski.

In the formal seminar sessions an attorney, Rick Odeneteel, spoke on the legalities of "slip and fall" claims. He touched on the conflict that arises between merchandisers and safety officers over endcap displays and racking.

"We're exploring the possibilities of getting more directly involved with our dealers in loss prevention and safety issues and the conference raised interesting questions for the 1990s," said Len Tully, safety director at Ace Hardware.

During the seminar Joe Inman, a former special agent with the U.S. Secret Service, spoke about executive safety, drawing from his current experience as a safety officer at Diamond Shamrock and prior work at the White House.

Melvyn Musson's session on Disaster Recovery Planning showed the necessity of safeguarding not only data processing but entire buildings.

Gilbert Ray took a more lighthearted approach, using his experience from Allied Systems to talk about putting the fun back in fleet safety. He suggested a number of incentive programs to encourage drivers' safety. ◆

Amdura files Ch. 11

(Continued from page 4)
He also had praise for the Coast and Trustworthy programs, calling them superior in dealer services. For that reason, he said, Our Own does not expect to sign dealers away from Amdura completely. "We haven't seen anyone tearing down the Coast sign, and we don't expect to," he said.

Amdura expects to reduce $100 million of debt by summer through the sale of its Crosby and Harris manufacturing units, which were not included in the bankruptcy. Beyond that, the company's survival depends on bank and vendor credit.

Meanwhile, Amdura's efforts to scale down were praised. The company announced the closure of several distribution centers connected with the auto aftermarket parts distributor Globe, which was acquired in 1988.

There still remains some dealer resentment about the view that Amdura paid too much for Coast ($110 mil.), and its debt problem is the result. "The whole cash flow problem relates to debt," said the dealer. Without it, he said, "the organization is a fine one." ◆

Lumber dealers lobby Congress

(Continued from page 5)
keeping costs down. Still, the very idea of government regulation drew ire from some retailers.

In the end, dealers approved a multi-part agenda, including:

- Using tax incentives to spur private-sector help in making home purchases easier;
- Letting employers establish their own parental and medical leave policies;
- Exempting small businesses from The Americans with Disabilities Act, and giving tax credits to employers who hire disabled or remove barriers to the disabled;
- Repealing Tax Code Section 2036(c), which penalizes transfer of business ownership, but support policies that reduce capital gains taxes on investments. ◆

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Stranded, Amdura flags down rescuers

Puts Coast, FOK up for sale to reduce debt

By John Caulfield

DENVER — Who will buy Amdura's hardlines wholesale businesses?

One of the co-ops? Its former chairman? One of the country's largest food conglomerates? Its own management?

All of these have been mentioned as potential suitors for CoastAmerica and Farwell, Ozmun & Kirk (FOK), the two distributors that were put up for sale by Amdura Corp. here on April 16 in an effort to reduce its massive debt.

That Amdura, which filed Chapter 11 two weeks earlier, is parceling off all its divisions came as little surprise to either its shareholders or its competitors. What was surprising, though, was how swiftly other wholesalers began to pounce on its hardlines business, which last year totaled $450 million.

Co-ops put out feelers

The level of reported, if preliminary, interest in Coast and FOK speaks volumes of the respect competitors hold for both companies' market strengths, apart from Amdura's struggles with debt.

An Amdura spokesman confirmed that companies which have expressed an interest in its businesses, and have signed a confidentiality agreement, have received a package of financial information similar to a prospectus.

D. Scott Ross, the spokesman, declined comment about the specifics of that package, including such items as the asking price; how much of Amdura's debt, estimated to exceed $240 million, would be assumed by a purchaser; or what impact such a transaction would have on its franchise agreements with dealers.

He also would not identify any of the parties that have expressed interest in either FOK or Coast. It is generally known throughout the industry, though, that both ServiStar Corp. and Hardware Wholesalers Inc., the industry's third and fourth largest hardlines buying groups, are among the companies that have thrown in their hat for CoastAmerica.

"Let me say right out that we'd be interested in all of it," said Larry Zehfuss, president of ServiStar, based in Butler, Pa., about Amdura's businesses. "It's a wonderful company with very good dealers."

"But we have only put out feelers, and it's now up to Amdura to make the next move towards formal negotiations."

HWI, through spokesman Dan Federspiel, declined comment.

The two co-ops' interest in Coast could focus in part on its distribution center in Springfield, Ore., near Portland. Both HWI and ServiStar last year began laying the groundwork for penetrating the West Coast, and both have stated that their long-range goal was

(Continued on page 9)

Fagen's 'unhires' chief operating officer

S&L crisis puts crimp in acquisition strategy

By John Sinisi

VERONA, Pa. — The Savings & Loan crisis has claimed its first victim in the home center industry.

Michael Johnson, a former executive with Builder Marts of America (BMA), had been hired by Fagen's Building Centers in March to serve as the chief operating officer of that chain.

But chief executive officer Jack Fagen, citing adverse economic conditions, decided in late April to cancel his plans to hire Johnson.

A source close to the operator of 14 retail home centers and millwork plants in six states says that stringent regulatory restraints on Fagen's primary lender, The Bank of New England, have forced the company to curtail its acquisition activity, which in turn canceled the need for someone other than Fagen himself to handle the chain's day-to-day operations.

Photo courtesy Fagen's

Michael Johnson

"Basically, it was a tough decision that we arrived at mutually," says Fagen, who would not confirm the development of any problems with any of the company's lenders.

"When we had conceived of the idea of hiring Michael, it was based on a different set of economic circumstances, which have changed for the worse."

Johnson and Fagen both stress that the break was purely for economic reasons.

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Timber shortage to hike lumber prices again

By Gary S. Ruderman

NATIONAL REPORT — Mills and wholesalers are again predicting a rise in prices for dimensional and plywood lumber this year, as timber supplies in the Northwest dwindle and pressures to export U.S. logs continue.

Lawsuits over environmental protection currently are restricting the availability of federal timber. And the seeming willingness of overseas concerns to pay just about any price for raw logs is also cutting into domestic supplies and inflating prices in the U.S. Inevitably, product costs through the distribution pipeline are shooting skyward.

Photo courtesy Oregon Dept. of Fish & Wildlife

Northern spotted owl

"The immediate response is, of course, 'You've said [price increases] before,' " anticipated Jerry Griffin, vp-corporate development for the 31-mill WTD Industries, one of the west's major stud producers. "But look at laws of supply and demand. Restrict the source of logs to mills and it's a sure bet" that prices have to go up.

If retailers rebuff price hikes, Griffin warned that the industry would "run as long as we can on a positive cash flow basis and then we'll shut down and wait for market balance to return."

Prices up already

Twenty percent hikes in the

(Continued on page 65)

Annual Wholesaler Census. Coverage begins on page 14.

NHCN photo

Stanley Silver, Pergament's executive vp and chief administrative officer, feels that giving employees information and telling them they are responsible helps them grow in stature.

Pergament addresses turnover in quest for greater profitability

By Elizabeth Brent

MELVILLE, N.Y. — Pergament continues to overhaul its culture and operations, as its new owners seek greater profitability and efficiency by focusing on comparable store growth.

Improving its employee turnover is crucial to obtaining these goals. Last month, Pergament came out of the Dark Ages by introducing its first full health and benefits package aimed at reducing turnover and recruiting better associates.

The chain kicked off the 401K fund by paying each employee an additional 1 percent of his salary, which was placed in the fund.

"Employee turnover was appalling and this impacts you negatively, affecting productivity and sales growth," said Stanley Silver, executive vp and chief administrative officer.

(Continued on page 62)

AHMA to host first multi-company pavilion at Japan DIY Show

By an NHCN staff editor

SCHAUMBURG, Ill. — The American Hardware Manufacturers Association (AHMA) will sponsor its first multi-company pavilion at the 1990 Japan DIY Show, held in Tokyo, this coming September.

Prior to the DIY show, Sept. 14 to 16, the AHMA will sponsor a three-day seminar on the Japanese culture and its business practices, concentrating on the distribution and hardware segments. There is a full-day tour of Japanese home centers planned. Japan's DIY sector had sales in excess of $10.5 billion last year.

According to the AHMA, the Japan DIY Show attracts more than 150,000 people. In the past it drew 31,000 tradespeople on the first day, when it is closed to the public, and more than 117,000 trade and public visitors in the last two days.

As part of its continuing effort to cultivate international trade, AHMA will also present a program, on June 20 and 21, in conjunction with George-

(Continued on page 62)

INDEPENDENT

Jay-K Lumber's training seminars help local customers 'meet the pros'

By Tom Neven

NEW HARTFORD, N.Y. — Jay-K Independent Lumber likes to teach people, even if they probably aren't going to buy anything.

This one-unit company located near Utica, N.Y., has been conducting "Meet the Pro" seminars for the past 15 years, bringing consumers in to learn various how-to projects from Jay-K employees, according to store manager Dean Kelly, whose father, Kevin, is Jay-K's founder and president.

The clinics are advertised in the local paper, on a billboard outside the store, and a schedule of classes is available at the checkout. But the company refuses to tie in its clinics directly to any specific product promotion.

"We want them to come to learn something, not because of a discount," said Scott Debbold, an estimator at Jay-K who has managed the clinics for 10 years. "It's a good will type of thing."

And that goodwill extends to the local community. Jay-K has recently conducted classes for the Utica Neighborhood Housing Service, a private group that helps low-income families, and for employees of nearby Oneida Correctional Facility in Rome, N.Y., part of the New York state prison system.

> 'We want them to come to learn something, not because of a discount. It's a goodwill type of thing.'
>
> —**Scott Debbold,** *estimator, Jay-K Lumber*

Weatherization clinic

Last October and November, Jay-K helped the Utica public group conduct two classes on how to weatherize a home for winter.

Peg DeMattio, executive director for the Housing Service, said that after obtaining a $7,200 grant from Citicorp for a weatherization clinic, she asked Jay-K to teach the class on how to use the materials. Her group offers loans to "anyone considered unbankable, sort of a last resort," DeMattio said.

"Our rehab coordinator knows the people at Jay-K," DeMattio said, "and also some of the contractors who work

(Continued on page 62)

Lyall leaves Lowe's to start graphics design firm

By an NHCN staff editor

NORTH WILKESBORO, N.C. — Jim Lyall joined Lowe's Cos. 19 years ago intending to save enough money to open a graphics design firm of his own.

On April 9, Lyall turned that dream into a reality. The chain's 41-year-old vp-visual design moved into a downtown office and opened Lyall Design, a company that will specialize in taking packaging and store design from concept to rendering stages.

Lyall started with Lowe's in 1971 as a promotional graphics designer. In 1981, he graduated to manager of chainwide sales promotions. Two years later, his job was redefined as manager of visual merchandising. Another upgrade in 1984, this time to vp-design services, put Lyall in charge of all store planning, packaging, graphic design, and price point systems.

NHCN photo

Jim Lyall

Through management restructuring last year, Lyall became vp-visual design. His last assignment was helping arrange the look of the Asheville, N.C., Lowe's store.

Lyall's new firm will tackle store and packaging designs, but will not limit itself to home improvement retailing. "I'm also interested in soft goods, electronics and a whole range of other industries," he explains, adding that Lowe's Cos. will always be dear to his heart.

"I think these past 19 years' experience will be a big plus for this new concern," he says.

In other news, Lowe's weighed in at the end of last month with several personnel promotions. Jeffrey Osborne is now director-contract sales promotion; Flynn Harold is now director-procurement, supply division; Lois Jestes is now customer relations specialist; JoAnne Kimrey is now data center operations supervisor; Steve Roundtree is now supervisor-data center support; and Dwight Ford is now director of Lowe's Leadership School. ◆

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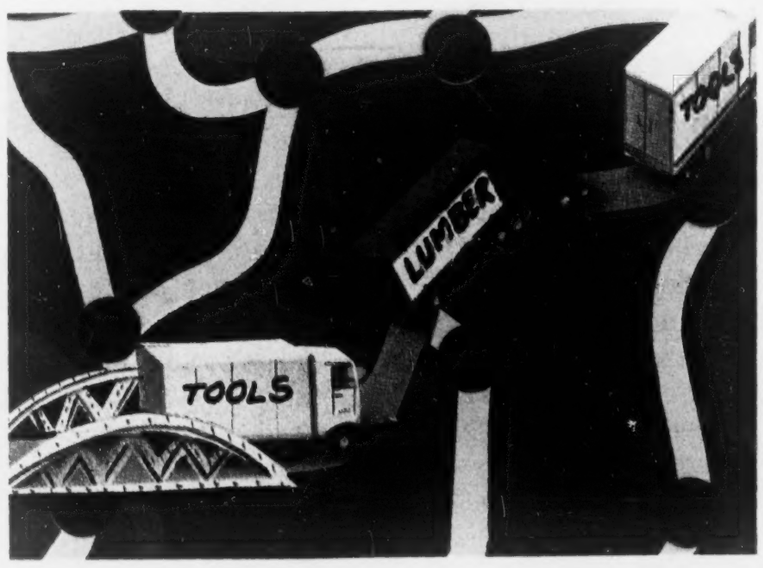

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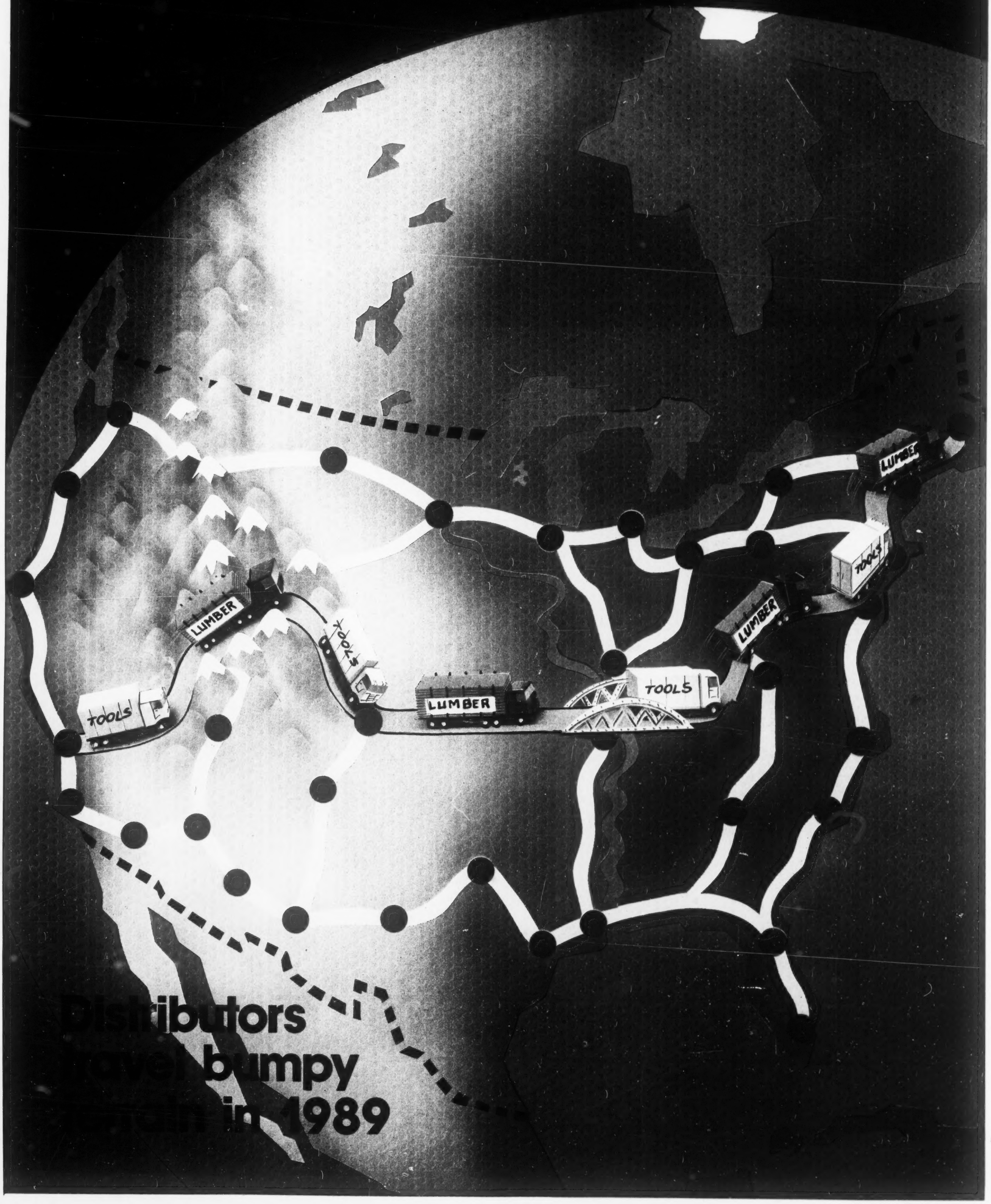
•DISTRIBUTOR CENSUS•

HARDLINES & BUILDING MATERIALS WHOLESALERS



HARDLINES WHOLESALERS

Hardlines wholesalers take on aggressive attitude—not to grow but to survive

By Tim O'Malley

NATIONAL REPORT — Louie Davis projects a 92 percent sales increase for his hardlines wholesale business by 1992. This, he says, has more to do with survival than ambition.

Besides looking to acquire a competitor, Davis—whose Shreveport, La.-based South States company had $27 million in 1989 sales—will add lumber and building materials to his largely hardware and plumbing mix.

His philosophy is to attack before being attacked, he said, noting, "The independent [distributor] either has to merge, get bigger himself, or do niche selling."

Davis' aggressive strategy is becoming more common in an industry that continues to consolidate. This is strengthening already strong regional hardlines distributors at the expense of those who sell off operations or otherwise run into trouble.

Last year, Zork Hardware closed and Wyeth Co. liquidated, while Amdura, Nuway and Baumrin Brothers filed Chapter 11. Another operator, Southwest Hardware, sold its assets to California Hardware.

Although competition wasn't always to blame—Southwest's sale resulted from the O'Malley Cos. restructuring, for example, and Amdura's Chapter 11 follows large debt from its 1988 Coast acquisition—it has resulted in increased competition among wholesalers clawing to sign retailers who, at the moment, appear to be in a buyer's market.

Photo courtesy Farwell, Ozmun, Kirk

Robert Behan, president of Farwell, Ozmun, Kirk, which emerged in 1989 as the largest hardlines distributor.

Developing retail services

Overall, 1989 sales for the industry's 70 largest hardlines wholesalers were virtually flat at $2.593 billion. And their total customer count declined by nearly 1,000 to 107,504 dealers.

Wholesalers are making themselves more attractive by expanding their product offerings and developing full-service programs that include marketing and other help for dealers.

"Most of the major wholesalers are pretty sound," says Thomas Fernley, executive director of the National Wholesale Hardware Association. "And all of them are developing retail programs."

Increased services could lead to less "cherry picking" of distributors' inventories by dealers looking for the best deal. "More [retailers] see the need to form an allegiance with one supplier," said Don Kempin, executive vp of Atchison, Kan.-based Blish-Mize

Growing firms like California Hardware could benefit most from such a trend. Its sales rose from $91 to $95 million in 1989, and, assuming much of Southwest's $13 million in business comes its way, California can expect a handsome boost next year.

Others who had a good 1989 were Orgill Brothers of Memphis, Tenn., whose sales grew 9 percent to an estimated $120 million; Bacar Inc., with a sales jump of 8 percent to $52 million, and Honsador of Honolulu, Hawaii, which increased its revenues 22 percent to $44 million.

And 1990 has kicked off just as strongly for some. House-Hasson Hardware of Knoxville, Tenn., has had "fantastic" sales, leading the company to project a 6 percent increase for 1990 overall. S&T Wholesale Hardware of Jeffersonville, Ind., also reported a good first quarter.

But the Northeast is apparently still economically depressed. Emery-Waterhouse of Portland, Maine, for example, was forced to close its Fries, Beall & Sharp division in Springfield, Va. And Elmira, N.Y., wholesaler RKB Enterprises is trying to stimulate sales—flat for more than a year—with a new selling program.

Buying market share

Many operators hinge future growth on acquiring a competitor.

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